A Research proposal Entitled

A COMPARATIVE ANALYSIS OF FINANCIAL PERFORMANCE OF SELECTED PUBLIC SECTOR BANKS AND PRIVATE SECTOR BANKS IN THANE DISTRICT AND NANDED DISTRICT

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A COMPARATIVE ANALYSIS OF FINANCIAL PERFORMANCE OF SELECTED PUBLIC SECTOR BANKS AND PRIVATE SECTOR BANKS IN THANE DISTRICT AND NANDED DISTRICT

1. INTRODUCTION:

The Indian Banking system is unique and perhaps has no parallels in the banking history of any other country in the world. It is interesting to study the evolution of Indian Banking over the last five decades in terms of organization, functions, resource mobilization, socio-economic role, problems and solutions.

The period of five decades witnessed many macro-economic developments, monetary and banking policies and the external situation which influenced the evolution of Indian Banking in different ways and in different periods.

A well developed and efficient banking system is most essential for the economic development of a nation. Banks can motivate people towards savings and earnings. Increasing credit needs of the people for development of agriculture and industries can be fulfilled through expansion and diversification of banking services. It can help in minimizing regional disparities by deploying more resources in improving regions.

After liberalization, privatization and globalization, the Indian public sector banking is facing stiff competition from Indian private sector and foreign banks. One of the major challenges that Public Sector Banks face is how to manage service quality which is a requirement for customer satisfaction. As a result of improved information communication technology, customers have become well informed, perceptive and value sensitive. They also have a wide range of choices between Private and Foreign Banks. Understanding the Customer's needs Public Sector Banks have to improve their service quality in order to survive in the competitive era.

Financial statement analysis is defined as the process of identifying financial strengths and weaknesses of the bank by properly establishing relationship between the items of the balance sheet and the profit and loss account.

Financial Statement Analysis is the process of understanding the risk and profitability of the bank through analysis of reported financial information, by using different accounting tools and techniques.

Financial Statements are prepared to meet external reporting obligations and also for decision making purposes. They play a dominant role in setting the framework of managerial decisions. But the information provided in Financial Statements is not an end in itself as no meaningful conclusion can be drawn from these statements alone. However, the information provided in the financial statements is of immense use in making decisions through analysis and interpretation of financial statements.

The banking sector is considered to be an important source of financing for most businesses. The common assumption, which underpins much of the financial performance research and discussion, is that increasing financial performance will lead to improved functions and activities of the organizations. It can be argued that there are three principal factors to improve financial performance for financial institutions; the institution size, its asset management, and the operational efficiency. This study proposes that there are measurable linkages among bank's size, asset management, the operational efficiency, and the financial performance. The purpose of this study is to analyze the financial performance of selected Public sector banks and Private sector banks on the basis of ratio analysis and in addition, to examine the relationships among measures such as bank's size, operational efficiency, asset management, return on assets (ROA), interest income, and to discuss their impact on the bank's performance.

2. STATEMENT OF PROBLEM

The Indian banking sector is dominated by public sector banks (PSBs) that include SBI & associates and nationalized banks. After the liberalization, many private sector banks and foreign banks come into the banking industry. The major objectives of banking sector reforms were to encourage operational self-sufficiency, flexibility and competition in the system and to improve banking standards in India to the international best practices. Based on the recommendations of various committees" especially the Committee on Financial Sector Reforms under the chairmanship of Mr. M. Narasimham and according the Basel requirements, various measures were implemented to liberalize the banking sector. The study of Comparative analysis of financial performance of selected public sector banks with the private sector banks is an attempt to find out the impact of banking sector reforms and to find the reasons for the possible financial outcomes. In this context, for this research study, banking sector has been studied at public sector and private sector level, but at the same time considering the limitations of time, resources etc. researcher has selected five banks from public sector and five from private sector banks.

3. OBJECTIVE OF THE STUDY

1. To study the financial performance of last five years (2015-16 to 2019-20) of Five public and Five private sector banks.
2. To Compare the financial performance of public sector banks with the private sector banks.
3. To identify the possible reasons for the intended financial performance of public sector and private sector banks.
4. To offer suggestions for improving the financial performance of banks

4. HYPOTHESES:

Hypothesis 1: There is no significance difference in the financial performance of public sector and private sector banks.

Hypothesis 2: There exist an impact of operational efficiency, asset management, and bank size on financial performance of the banks.

Hypothesis 3: There exists an impact of technology and customer satisfaction on financial performance of the banks.

RESEARCH METHODOLOGY:

5.1Sample Design:

The present study is related to analysis of financial performance of selected public sector and private sector banks. Study will be conducted in Thane district and Nanded district of Maharashtra State. There are 19 public sector banks, SBI and its associates and 22 private sector banks. For the present study purposive sampling method will be used. 5 banks from public sector and 5 banks from private sector will be selected for the study.

5.2 Primary Data:

The primary data related to satisfaction level of customers will be collected from observation, personal interviews and questionnaire survey. The respondents will be selected on random sampling method.

5.3 Secondary Data:

Secondary data will be collected from annual reports of banks, articles published in different RBI bulletins, journals, periodicals, conference paper, working paper, reference books and websites.

5.4Statistical Tools:

For the Present study, various tools and techniques adopted to evaluate the financial Performance will be:

- ❖ Accounting Tools/ Techniques
- ❖ Statistical Tools/ Techniques

- Accounting Tools/ Techniques: Ratio analysis will be used to analyse the financial performance of banks.
- Statistical Tools/ Techniques: The statistical tools/ techniques will be adapted depending upon the nature of the study. The collected data will be classified, tabulated and analysed by applying relevant statistical techniques such as t-test and F- test (ANOVA), chi- square tests, SPSS etc.

6. NEED AND SIGNIFICANCE OF THE STUDY:

Banks form a fundamental component of the financial system and are also active players in financial markets. An efficient banking system capable of mobilizing the savings and channelizing them to productive purposes are essential for the development of any economy. The objective of the study is to analyse and compare the overall financial performance of selected public and private sector banks in India. This research study covers a period of five years i.e. from financial year 2015-2016 to 2019-2020. The purpose of the study is to find out the reasons for the possible financial outcomes of public sector and private sector banks and correlate the factors which lead to better/poor financial performance of banks.

7. LIMITATIONS OF THE STUDY:

1. The study will be limited to the selected public and private sector banks
2. The study will be limited to the analysis based on the published annual reports of public and private sector banks
3. The period of study will be limited to five years from 2015-16 to 2019-20.
4. The study depends on the responses to questions or statements contained in mainly structured interview schedule.

8. TENTATIVE ORGANIZATION OF THE TEXT/ CHAPTER SCHEME:

The proposed study will be presented in the form of thesis. The test of the thesis will be tentatively be divided in chapters. The outline of the chapter scheme is briefed as under.

CHAPTER 1: INTRODUCTION

This chapter is introductory in nature, familiarizing with the topic. The history of banks, reforms in the banking sector, structure of banking system in India, Concept of financial statements, need for financial analysis, tools and techniques for financial analysis.

CHAPTER 2: RESEARCH METHODOLOGY:

This chapter deals with the scope of this study, research methodology which will be used in present study. It describes the sampling design, data collection tools, methods of data analysis and limitations of the study.

CHAPTER 3: LITERATURE REVIEW

This chapter will deal with the review of existing literature on the research of analysis of financial performance of banks. It includes research contributions directly and indirectly related with the topic.

CHAPTER 4: TOOLS FOR ACCOUNTING ANALYSIS

This chapter will cover the detailed about the selected ratios used for analysis of the financial performance of banks.

CHAPTER 5: DATA ANALYSIS AND INTERPRETATION

This chapter will cover the analysis and interpretation of secondary and primary data.

CHAPTER 6: FINDINGS, SUGGESTIONS AND CONCLUSION

This chapter will attempt to give possible suggestions to improve the financial performance of banks.

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